

Iceberg Ahead: Navigating the Covert Costs of Hiring



Morgan Law

RESPONSIBLE RECRUITING



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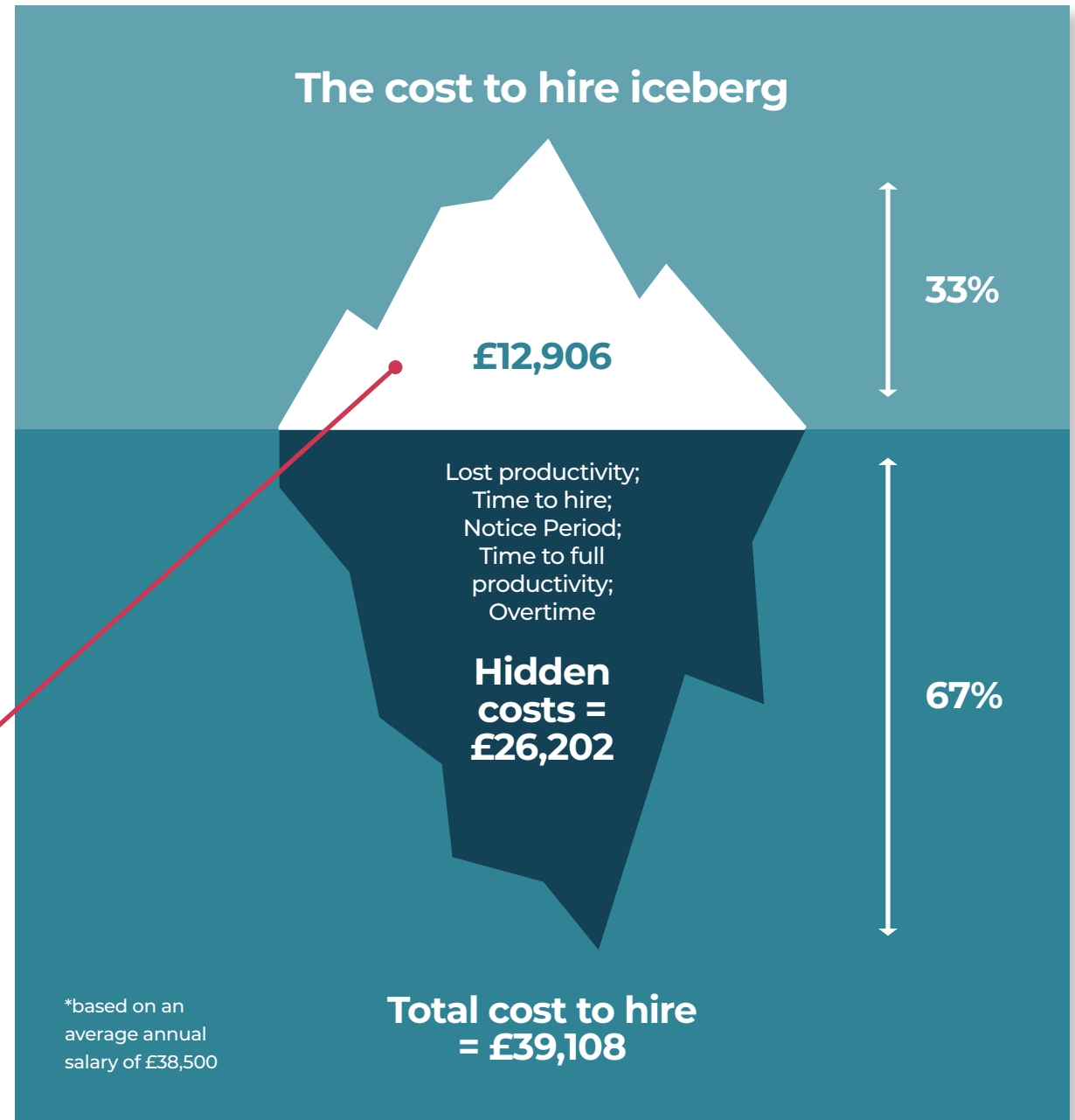
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Beneath the surface: understanding the cost to hire iceberg

In any business employee turnover is to be expected. According to the PWC almost **20% of UK employees are expected to leave their jobs in the next 12 months**. So it's no surprise that many businesses factor in the costs of recruiting new staff into their annual budgets. But to do so means understanding the true costs of hiring. Sadly, many organisations only see the tip of the iceberg and fail to accurately budget their recruiting costs.

Most employers know the hard costs of recruitment. That is the costs of advertising roles, securing the services of a recruitment agency, hiring temp workers, onboarding and so on. But what you may not know is that those costs only make up 33% of the cost per hire. They are just the tip of the iceberg. The most significant cost of hiring, 67% of the total, is invisible. The cost of lost productivity and knowledge drain are harder to see. Meaning you run the risk of colliding with them beneath the surface.

$$\begin{array}{l} \text{Average salary} \\ \text{x staff turnover} \\ \text{x cost of hire} \end{array} = \text{Perceived cost of hiring}$$



Understanding the hidden cost of high employee turnover

Employee turnover can be both good and bad for an organisation. Without some level of turnover, you are not making room to hire and engage employees with better culture fit or much-needed skillsets. The average turnover for UK businesses sits at around 17% but this can be higher in some industries such as retail and ecommerce. Public sector and non-profit turnover has traditionally been lower than the national average at [16%](#).

Regardless of the reasons employees are leaving your organisation, the cost of hiring starts before you even know about it. Here's how your hiring costs can begin to stack up:



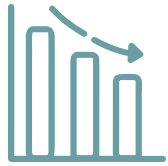
Decreased productivity of an unhappy employee

There's a lot of discussion in the media about the phenomenon of "quiet quitting". This is the idea that as employees become tired and burnt out, they respond by slowly dialling back their productivity. Whilst "quiet quitting" may be an **unfair** characterisation that promotes a workplace culture of asking employees to do too much, it is true that once an employee has decided to leave their productivity declines steadily as they negotiate the process of applying and interviewing for a new role.



Greater productivity loss in the resignation and notice period

If an employee's productivity declines in the **three to six month** period they are searching for a new role, then it should come as no surprise that it takes a deep dive once they've handed in their notice.



Impact of interim period with no employee

When a role is left vacant it doesn't just impact the productivity of that position. Increased workloads can have an impact on team productivity and morale causing other employees to resign and productivity rates to drop even further.



Non-negotiable hard recruitment costs

At this point the hard costs of recruiting a new starter will become apparent. These costs can include the daily salary of your hiring manager, HR costs, time spent screening and interviewing applicants and the cost of any needed references or background checks.



Training time for new appointment to reach 100% productivity

The faster you can get a new hire up to speed the lower your ultimate cost per hire. Getting a new hire working to their full potential can take up to **8 months** and you may need to factor in other costs such as the cost and time of any training courses needed. Strong onboarding procedures can also help reduce the time it takes to ensure a new hire is fully productive.



“Getting a new hire working to their full potential can take up to 8 months”

6 strategies to build into workforce planning that will reduce your hiring costs

Strong workforce planning can help you make quality hires quickly. Doing so can reduce costs and maintain productivity. Build these six low-cost recruitment strategies into your hiring plan:

Think about succession planning

Churn can be a real killer, but its effects can be mitigated by strong succession planning. Being able to anticipate when employees might leave and why can ensure you start looking for replacements earlier or to put in place development programmes to train successors. The average tenure for a **Millennial or Gen Z** employee (ie. employees under 40) is **less than three years**. Whilst succession planning is most often used for senior employees, it can also be helpful at other levels.

Optimise recruitment processes for speed

Lengthy recruitment processes mean that positions which should be filled relatively quickly remain empty and unproductive for longer. They can also be off-putting to qualified candidates who may drop out of the process.

Build a strong employer brand

A strong employer brand will help you attract talented professionals

who are aligned with your vision as an organisation. More **engaged employees** are happier, more productive and less likely to leave.

Improve your quality of hire

One of the main causes of employee turnover is making poor hiring decisions. By ensuring you **attract high quality candidates** and hire for good cultural fit, not just qualifications, you can improve the quality of your hires. Quality hires also require less intensive onboarding and reach full productivity more quickly.

Develop an accelerated onboarding process

Your onboarding process is critical to a new employee's ultimate success. Get new hires up to speed quickly by developing a comprehensive onboarding plan that can be standardised across your organisation. It should clarify the roles expectations and emphasise your organisational mission. Try to link in top performers as mentors who can offer guidance and a concrete place for new hires to get advice.

Work closely with a well networked recruiter

Look to develop a strong relationship with a recruiter who specialises in your industry.





Why using a skilled recruiter can reduce your cost to hire significantly

Working in partnership with a skilled specialist recruiter can help you respond more quickly to turnover and eliminate the loss of productivity caused by vacant roles. Working with a recruiter also:



Reduces hard recruitment costs such as advertising



Shortens the amount of time you spend screening and interviewing candidates



Reduce the cost of “bad hire” turnover and make better quality hires who get up to speed quicker.



Minimises the impact on team productivity and morale



Helps you develop your employer brand and appeal to new talent pools

Morgan Law can help you reduce your cost to hire

At Morgan Law we take the time to develop a full understanding of your requirements, meeting with you to discuss challenges and offer advice on the availability of talent in the market and how to improve your existing hiring practices.

Our established database of over 30,000 senior-level, highly-skilled professionals with significant experience in the public and not-for-profit sectors available on a permanent and contract basis enable us to deliver the highest quality recruitment solutions.

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